Shenzhen International Holdings Limited
深圳國際控股有限公司
(incorporated in Bermuda with limited liability)
(Stock Code: 00152)

2012 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results and consolidated interim balance sheet of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 (the "Period") together with comparative figures of consolidated results for the corresponding period in 2011 and consolidated balance sheet as of the year end of 2011 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	(4), (5)	**2,856,643**	2,742,389
Cost of sales		**(1,436,136)**	(1,609,716)
Gross profit		**1,420,507**	1,132,673
Other gains – net		**7,647**	368,075
Other income		**53,244**	80,460
Distribution costs		**(18,640)**	(15,379)
Administrative expenses		**(136,713)**	(124,817)
Operating profit	(6)	**1,326,045**	1,441,012
Share of profit of jointly controlled entities		**7,681**	1,493
Share of profit of associates	(12)	**450,348**	287,179
Profit before finance costs and tax		**1,784,074**	1,729,684
Finance income	(7)	**35,031**	14,286
Finance costs	(7)	**(508,513)**	(299,841)
Finance costs – net	(7)	**(473,482)**	(285,555)
Profit before income tax		**1,310,592**	1,444,129
Income tax expense	(8)	**(247,530)**	(286,613)
Profit for the period		**1,063,062**	1,157,516

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (continued)

	Note	Six months ended 30 June 2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000*
Attributable to:			
Equity holders of the Company		**804,656**	954,351
Non-controlling interests		**258,406**	203,165
		1,063,062	1,157,516
Earnings per share for the profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– Basic	(9)	**4.91**	5.83
– Diluted	(9)	**4.91**	5.81
Dividends	(10)	**–**	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000*
Profit for the period	**1,063,062**	1,157,516
Other comprehensive income:		
Fair value losses on available-for-sale financial assets, net of tax	**(4,591)**	(345,604)
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	**-**	(251,224)
Fair value gains on derivative financial instruments, net of tax	**2,117**	16,830
Derecognition of cash flow hedge, net of tax	**1,503**	-
Share of other comprehensive income/(loss) of an associate	**6**	(15)
Currency translation differences	**(123,907)**	487,076
Other comprehensive loss for the period, net of tax	**(124,872)**	(92,937)
Total comprehensive income for the period	**938,190**	1,064,579
Total comprehensive income attributable to:		
Equity holders of the Company	**735,342**	721,158
Non-controlling interests	**202,848**	343,421
	938,190	1,064,579

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		As at	
		30 June 2012	31 December 2011
		(Unaudited)	(Audited)
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**3,879,074**	4,024,897
Investment properties		**69,300**	62,900
Land use rights		**650,133**	663,930
Construction in progress		**313,343**	181,415
Intangible assets	(11)	**24,010,964**	24,386,045
Investments in associates	(12)	**4,172,259**	2,829,232
Investments in jointly controlled entities		**320,068**	319,819
Available-for-sale financial assets	(13)	**244,946**	246,879
Deferred income tax assets		**75,886**	72,609
Other non-current assets		**95,772**	953,470
		33,831,745	33,741,196
Current assets			
Inventory		**7,022**	8,413
Available-for-sale financial assets	(13)	**1,466,630**	1,488,061
Trade and other receivables	(14)	**1,085,468**	916,769
Restricted bank deposits		**5,242**	9,518
Cash and cash equivalents		**4,911,660**	3,723,557
		7,476,022	6,146,318
Assets held for sale		**-**	13,320
Total assets		**41,307,767**	39,900,834
EQUITY			
Equity attributable to equity holders of the Company			
Share capital and share premium		**4,945,836**	4,937,120
Other reserves		**405,176**	474,490
Retained earnings			
- Proposed dividends		**-**	540,281
- Others		**6,066,966**	5,262,310
		11,417,978	11,214,201
Non-controlling interests		**6,970,612**	6,934,105
Total equity		**18,388,590**	18,148,306

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (continued)

		As at	
		30 June 2012	31 December 2011
		(Unaudited)	(Audited)
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**16,093,006**	15,321,113
Derivative financial instruments		**54,953**	59,327
Provision for maintenance/resurfacing obligations		**459,073**	439,208
Deferred income tax liabilities		**1,447,017**	1,523,944
		18,054,049	17,343,592
Current liabilities			
Trade and other payables	(15)	**2,146,929**	2,244,671
Income tax payable		**222,212**	310,837
Provision for maintenance/resurfacing obligations		**408,094**	438,784
Borrowings		**2,086,360**	1,412,841
Derivative financial instruments		**1,533**	1,803
		4,865,128	4,408,936
Total liabilities		**22,919,177**	21,752,528
Total equity and liabilities		**41,307,767**	39,900,834
Net current assets		**2,610,894**	1,750,702
Total assets less current liabilities		**36,442,639**	35,491,898

Note:

(All amounts in HK dollar thousands unless otherwise stated)

(1) General Information

The principal activities of the Group, its associates and jointly controlled entities include the following businesses:

- Toll roads; and
- Logistic business.

(1) General Information (continued)

The Group has operations mainly in the People's Republic of China ("PRC").

The Company is a limited liability company incorporated in Bermuda and is an investment holding company. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This condensed consolidated interim financial information ("Financial Information") was approved for issue on 21 August 2012 and has not been audited.

Key events

On 4 January 2012, the Group's acquisition of 24% equity interest in Shenzhen Airlines Company Limited ("Shenzhen Airlines") was completed. Upon the completion of the acquisition, the Group increased its equity interest in Shenzhen Airlines from 25% to 49% and Shenzhen Airlines remained as an associate of the Group.

In April 2012, the Company issued senior notes in an aggregate principal amount of USD300 million.

(2) Basis of preparation

This Financial Information for the Period has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants. The Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

(3) Changes in accounting policies and disclosures

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2012 have no impact on the Group or are currently not relevant to the Group.

(3) Changes in accounting policies and disclosures (continued)

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendment to HKAS 1	Presentation of financial statements - Presentation of items of other comprehensive income	1 July 2012
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of Interest in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
Amendment to HKAS 19	Employee benefits	1 January 2013
HKAS 27 (revised 2011)	Separated financial statements	1 January 2013
HKAS 28 (revised 2011)	Investment in associates and joint ventures	1 January 2013
HK (IFRIC) - Int 20	Stripping costs in the production phase of a surface mine	1 January 2014
Amendment to HKAS 32	Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosure	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
Additions to HKFRS 9	Financial instruments - Financial liabilities	1 January 2015

The Group has commenced an assessment of the impact of the new standards, amendments to the standards and interpretations but is not yet in a position to state whether these new standards, amendments to standards and interpretations would have a significant impact to the Group's results of operations and financial position.

(c) Change in accounting estimates and assumptions

The management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, with the exception of the change in accounting estimate of the amortisation unit for concession intangible assets.

The Group appointed an independent professional traffic consultant reassessed the aggregate future traffic volume of Longda Expressway. The Group has adjusted the amortisation unit for concession intangible assets according to the revised total projected traffic volume since 1 January 2012 on prospective basis. Such change in accounting estimate has resulted in increase in profit after tax of HKD14,273,000 for the six months ended 30 June 2012 and will affect the amortisation charges of the Group in the future.

(4) Segment information

The Group assessed its operations to be organised in two main business segments:

- Toll roads; and
- Logistic business.

Head office functions include corporate management functions and investment and financial activities of the Group.

The chief operating decision-maker has been identified as the board of directors. The board of directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Toll roads include development, operation and management of toll highway; logistic business includes: (i) logistic parks mainly include the construction, operation and management of logistic centres; (ii) logistic services include the provision of third party logistic and logistic information services to customers; and (iii) port includes construction, operation and management of wharf and logistic centres at Xiba Port in Nanjing.

The board of directors assesses the performance of the operating segments based on a measure of operating profit.

The segment revenue and results presented to the board of directors, the chief operating decision-maker are as follows:

For the six months ended 30 June 2012

	Toll roads	Logistic business				Head office functions	Total
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	2,403,011 [a]	243,779	152,683	57,170	453,632	-	2,856,643
Operating profit	1,215,805	86,068	3,863	20,372	110,303	(63)	1,326,045
Share of profit/(loss) of jointly controlled entities	2,696	5,190	(205)	-	4,985	-	7,681
Share of profit of associates	81,434	-	282	-	282	368,632	450,348
Finance income	24,616	710	460	290	1,460	8,955	35,031
Finance costs	(404,826)	(7,279)	(70)	(12,503)	(19,852)	(83,835)	(508,513)
Profit before tax	919,725	84,689	4,330	8,159	97,178	293,689	1,310,592
Income tax expense	(221,320)	(18,574)	(1,554)	-	(20,128)	(6,082)	(247,530)
Profit for the period	698,405	66,115	2,776	8,159	77,050	287,607	1,063,062
Non-controlling interests	(252,171)	(3,869)	79	(2,445)	(6,235)	-	(258,406)
Profit attributable to equity holders of the Company	446,234	62,246	2,855	5,714	70,815	287,607	804,656
Depreciation and amortisation	485,631	32,620	5,705	18,026	56,351	11,661	553,643
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	222,357	118,921	18,008	4,404	141,333	7,258	370,948
- Additions in investments in associates	-	-	-	-	-	97,266	97,266

(4) Segment information (continued)

For the six months ended 30 June 2011

	Toll roads	Logistic business				Head office functions	Total
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	2,368,197 [(a)]	223,128	114,130	36,934	374,192	-	2,742,389
Operating profit	975,339	67,053	7,902	11,021	85,976	379,697	1,441,012
Share of (loss)/profit of jointly controlled entities	(665)	2,848	(690)	-	2,158	-	1,493
Share of profit of associates	99,530	-	692	-	692	186,957	287,179
Finance income	7,972	892	446	426	1,764	4,550	14,286
Finance costs	(299,992)	(5,913)	(1,591)	(6,072)	(13,576)	13,727	(299,841)
Profit before tax	782,184	64,880	6,759	5,375	77,014	584,931	1,444,129
Income tax expense	(185,378)	(12,509)	(1,610)	-	(14,119)	(87,116)	(286,613)
Profit for the period	596,806	52,371	5,149	5,375	62,895	497,815	1,157,516
Non-controlling interests	(200,136)	(898)	(518)	(1,613)	(3,029)	-	(203,165)
Profit attributable to equity holders of the Company	396,670	51,473	4,631	3,762	59,866	497,815	954,351
Depreciation and amortisation	443,592	29,697	5,797	13,113	48,607	13,222	505,421
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	624,813	80,150	1,763	143,797	225,710	10,222	860,745
- Investments in jointly controlled entities	5,899	-	-	-	-	-	5,899

(a) The revenue from toll roads includes construction service revenue under service concession arrangements of HKD204,923,000 (2011 interim: HKD441,927,000) for the Period.

(b) The Group has a number of customers. Revenue of approximately HKD99,816,000 (2011 interim: HKD277,169,000) are derived from a single external customer. Those revenue are attributable to construction service revenue under service concession arrangements.

(c) The Group's non-current assets are mainly located in the PRC.

(5) Revenue

	Six months ended 30 June	
	2012	2011
Toll roads		
— Toll revenue	**2,198,088**	1,926,270
— Construction service revenue under service concession arrangements	**204,923**	441,927
Logistic business		
— Logistic parks	**243,779**	223,128
— Logistic services	**152,683**	114,130
— Port	**57,170**	36,934
	2,856,643	2,742,389

(6) Operating profit

The Group's operating profit is arrived after crediting and charging the following:

	Six months ended 30 June	
	2012	2011
Crediting		
Gain on disposals of available-for-sale financial assets	**-**	339,189
Government subsidies	**1,534**	5,532
Charging		
Depreciation and amortisation	**553,643**	505,421

(7) Finance income and costs

	Six months ended 30 June	
	2012	2011
Interest income from bank deposits	**(35,031)**	(14,286)
Interest expenses		
- Bank and other borrowings wholly repayable within 5 years	**104,152**	98,026
- Bank and other borrowings wholly repayable after 5 years	**187,811**	163,031
- Convertible bond wholly repayable within 5 years	**41,015**	37,907
- Medium-term notes wholly repayable within 5 years	**21,568**	15,485
- Corporate bond wholly repayable within 5 years	**67,176**	-
- Corporate bond wholly repayable after 5 years	**28,730**	35,198
- Senior notes wholly repayable within 5 years	**20,145**	-
- Others interest expense	**22,925**	37,264
Net foreign exchange losses/(gains) directly attributable to borrowings	**27,872**	(76,539)
Less: interest expenses capitalised in construction in progress	**(12,881)**	(10,531)
	508,513	299,841
Net finance costs	**473,482**	285,555

(8) Income tax expense

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the Period. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The PRC corporate income tax charged to the consolidated income statement was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the Period at a rate of 25% (2011 interim: 24%) applicable to the respective companies.

	Six months ended 30 June	
	2012	2011
Current income tax		
- PRC corporate income tax	**296,466**	361,243
Deferred income tax	**(48,936)**	(74,630)
	247,530	286,613

(9) Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Period.

	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company	**804,656**	954,351
Weighted average number of ordinary shares in issue (thousands)	**16,372,173**	16,372,173
Basic earnings per share (HK cents per share)	**4.91**	5.83

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

(9) Earnings per share (continued)

	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company	**804,656**	954,351
Profit used to determine diluted earnings per share	**804,656**	954,351
Weighted average number of ordinary shares in issue (thousands)	**16,372,173**	16,372,173
Adjustments – share options (thousands)	**-**	48,770
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**16,372,173**	16,420,943
Diluted earnings per share (HK cents per share)	**4.91**	5.81

(10) Dividends

The board of directors has resolved not to declare an interim dividend in respect of the Period (2011 interim: Nil). The 2011 final dividend of HKD409,304,000 (HK cents 2.5 per ordinary share) and special dividend of HKD130,977,000 (HK cents 0.8 per ordinary share) totalling HKD540,281,000 (HK cents 3.3 per ordinary share) (2011 interim: HKD491,165,000 (HK cents 3.0 per ordinary share)) was paid on 22 June 2012.

(11) Intangible assets

	Intangible assets - concession intangible assets
Six months ended 30 June 2012	
Net book amount as at 1 January 2012	24,386,045
Additions	196,983
Transfers	7,038
Exchange difference	(175,244)
Amortisation	(403,858)
Net book amount as at 30 June 2012	24,010,964
Six months ended 30 June 2011	
Net book amount as at 1 January 2011	23,446,980
Additions	445,917
Exchange difference	520,580
Amortisation	(377,796)
Net book amount as at 30 June 2011	24,035,681

(11) Intangible assets (continued)

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 11 to 24 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

(12) Investments in associates

	Six months ended 30 June	
	2012	2011
Beginning of the period	**2,829,232**	2,280,452
Transfer from other non-current assets [(a)]	**875,394**	-
Additions	**97,266**	-
Share of post-tax profit of associates	**450,348**	287,179
Share of other comprehensive income/(loss) of associates	**6**	(15)
Dividends received	**(48,654)**	(79,812)
Exchange difference	**(31,333)**	54,483
End of the period	**4,172,259**	2,542,287

The ending balance comprises the following:

	As at	
	30 June 2012	31 December 2011
Unlisted investments, at cost		
Share of net assets other than goodwill	**3,132,273**	2,068,803
Goodwill on acquisition	**1,039,986**	760,429
	4,172,259	2,829,232

(a) The Group's acquisition of 24% equity interest in Shenzhen Airlines was completed on 4 January 2012. The prepayment of HKD875,394,000 which was classified under 'other non-current assets' as at 31 December 2011 was transferred to 'investments in associates' during the Period accordingly.

(b) Based on the assessment made by the directors of the Company, there were no impairment losses for the goodwill as at 30 June 2012.

(13) Available-for-sale financial assets

	Six months ended 30 June	
	2012	2011
Beginning of the period	**1,734,940**	3,583,228
Net fair value losses	**(9,778)**	(397,788)
Disposals	**-**	(347,634)
Exchange differences	**(13,586)**	81,536
End of the period	**1,711,576**	2,919,342
Less: non-current portion	**(244,946)**	(273,899)
Current portion	**1,466,630**	2,645,443

Available-for-sale financial assets, all denominated in RMB, include the following:

	As at	
	30 June 2012	31 December 2011
Listed securities in the PRC, at fair value [a]	**1,466,630**	1,488,061
Unlisted equity investments :		
at fair value	**208,027**	209,669
at cost less impairment		
- Cost	**61,014**	61,305
- Provision for impairment	**(24,095)**	(24,095)
	36,919	37,210
	244,946	246,879
	1,711,576	1,734,940

(a) As at 30 June 2012, listed equity investments stated at market value represent 6.42% interest (equivalent to 133,170,000 shares) in CSG Holding Co., Ltd. (“CSG”).

(14) Trade and other receivables

The income from toll road operations is mainly received in cash and it usually does not maintain any trade receivable balances related to toll road operations. Accordingly, the Group does not have any specified credit period for its customers related to toll road operations. Trade receivables other than toll road income generally have credit terms of 30 to 120 days. The ageing analysis of the trade receivables of the Group based on invoice date or the time from the initial recognition of receivables is as follows:

	As at	
	30 June 2012	31 December 2011
0-90 days	**431,109**	304,320
91-180 days	**29,769**	38,599
181-365 days	**871**	2,257
Over 365 days (i)	**118,263**	238,127
	580,012	583,303

(i) Trade receivables due over 365 days mainly comprised the amounts of HKD109,170,000 (31 December 2011: HKD214,797,000) arising from the development and management of certain toll road projects administrated for Shenzhen Traffic and Transport Committee.

(15) Trade and other payables

The ageing analysis of the trade payables was as follows:

	As at	
	30 June 2012	31 December 2011
0-90 days	**77,652**	65,165
91-180 days	**2,391**	1,470
181-365 days	**2,929**	1,814
Over 365 days	**7**	3,457
	82,979	71,906

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

International Credit Ratings and Issuance of US Dollar Senior Notes

In early 2012, the Group was awarded investment ratings of BBB and Baa3 by international credit rating agencies, Standard & Poor's and Moody's respectively, reflecting the high-quality assets, stable financial position, adequate cash flow and strong credit ratios of the Group. The Company's issuance of five-year US$300,000,000 senior notes bearing an interest rate of 4.375% per annum on 20 April 2012 was successful with market's positive response, which demonstrates the market's recognition of both the Group's business development and profitability, and also widening the Group's financing channels to facilitate the Group's future business expansion.

Operating Performance

In the first half of 2012, the global economy continued to remain weak, causing demand in China and other countries to decline. Under the various unfavourable factors, including the difficult external environment as well as the negative impact brought by the policy changes in China, the Group's recurring profit for the Period remained stable with a slight growth, reflecting the core business and assets of Group have strong capability to sustain profitability and withstand risk.

	For the six months ended 30 June		
	2012	2011	Increase/
	HK$'000	*HK$'000*	(Decrease)
Revenue (excluding construction service revenue from toll roads)	**2,651,720**	**2,300,462**	15%
Construction service revenue from toll roads	**204,923**	**441,927**	(54%)
Total Revenue	**2,856,643**	**2,742,389**	4%
Profit before finance costs and tax	**1,784,074**	**1,729,684**	3%
of which: Core Business	**1,784,074**	**1,390,495**	28%
Profit attributable to shareholders	**804,656**	**954,351**	(16%)
of which: Core Business	**804,656**	**698,256**	15%
Basic earnings per share (HK cents)	**4.91**	**5.83**	(16%)

During the Period, revenue from the Group's core business rose 15% to reach HK$2,652 million, of which revenue from the logistic business and toll revenue increased by 21% and 14% respectively as compared to the corresponding period of the previous year. Profit before finance costs and tax from the Group's core business amounted to HK$1,784 million, representing an increase of 28% as compared to the corresponding period of the previous year, while profit attributable to shareholders of the core business rose 15% to HK$805 million. Due to a weak China stock market during the first half of 2012, the Group did not dispose of any A shares in CSG, whereas the Group disposed of A shares in CSG during the corresponding period of the previous year and recorded a non-recurring gain after tax of approximately HK$256 million, causing the profit attributable to shareholders to drop 16% as compared to the corresponding period of the previous year.

Revenue from the Group's logistic business amounted to HK$454 million during the Period, an increase of 21% over the corresponding period of the previous year, while profit attributable to shareholders increased by 18% to HK$70.82 million year-on-year. During the Period, a number of factors led to an increase in the overall revenue and profit of the Group's logistic business, including (1) the increasing maturity of the business scale and operation of the logistic centres in the logistic parks, combined with successful marketing strategies, (2) the significant rise in the revenue from the logistic service business driven by the increase in business volume from certain major customers, and (3) the increasing maturity of the port business during the Period, which was still at cultivation stage during the corresponding period of the previous year.

During the Period, toll revenue from the Group's toll road business increased by 14% to HK$2,198 million, while profit attributable to shareholders increased by 12% to HK$446 million as compared with the corresponding period in 2011. The growth in overall revenue and profit was mainly attributable to the opening of new road sections, which led to an increase in toll revenue, as well as the recognition of a revenue amounted to HK$117 million from the entrusted construction management services during the Period.

On 4 January 2012, the Group completed the acquisition of an additional 24% equity interest in Shenzhen Airlines, an associate of the Company, shareholding in Shenzhen Airlines thereby increased to 49%. During the Period, Shenzhen Airlines contributed a profit of HK$341 million to the Group, representing an increase of 83% over the profit contribution of HK$187 million during the corresponding period of the previous year. During the Period, Shenzhen Airlines has fully offset its accumulated loss and is expected to be able to maintain a profit in the second half of 2012 and pay dividend to the Group thereafter.

Logistic Business

Analysis of Operating Performance

Logistic Parks

The Group's logistic park business has experienced relatively rapid development following the continued improvement in the operating efficiency and enhancement of economics of scale of the logistic parks. In the first half of 2012, with the active market expansion and strengthened relationships between the Group and its existing customers, the Group's performance remained stable, with the average occupancy rate maintained at 95% for all the logistic parks.

The Group continued to focus on investing in and developing logistic infrastructure facilities with a view to support future revenue growth momentum. During the Period, the construction of the new logistic centre and exhibition centre at South China Logistic Park progressed satisfactorily, and is expected to be completed and put into operation in early 2013. Upon completion of the construction, operating area of the Group's logistic parks will be increased by 24% from 530,000 square metres to 660,000 square metres.

Port Business

In the first half of 2012, a total of 102 vessels had berthed at Nanjing Xiba Port, with vessels of 30,000 tonnes or more accounting for 55% of the 102 vessels. Total throughput was 5.28 million tonnes, representing an increase of 35% over the corresponding period of the previous year.

In May 2012, the berthing capacity of Nanjing Xiba Port was increased from an original capacity of 50,000-tonnage to 70,000-tonnage, thereby expanding the range of berthing vessels and improving the efficiency of cargo transit. Subsequently, in June 2012, Nanjing Xiba Port obtained berthing permission for international vessels. This is a significant milestone in the opening of Nanjing Xiba Port to the foreign trade, which is essential in enhancing the profitability and ability to resist risks.

Logistic Service Business

In first half of 2012, benefitting from the increasing production volume of its existing customers as well as its active and strengthened efforts in business expansion, the Group was able to offset the adverse impact of the weak economic environment. However, rising operating costs, including labour costs, also put pressure on the profitability of the logistic service business. In order to further enhance the competitive edges of its logistic service business and the overall profitability, the Group is committed to cost control and the optimisation of its customer mix.

Financial Analysis

During the Period, revenue and profit before finance costs and tax of the logistic business of the Group amounted to approximately HK$454 million (2011: HK$374 million) and HK$115 million (2011: HK$88.83 million) respectively, representing increases of 21% and 29% respectively over the corresponding period of the previous year. In addition, profit attributable to shareholders amounted to HK$70.82 million (2011: HK$59.87 million), representing an increase of 18% over the corresponding period of the previous year.

Revenue and Profit attributable to shareholders of each business unit of logistic business

For the six months ended 30 June

	Revenue		Profit attributable to shareholders	
	2012 *HK$'000*	Change over Year 2011	**2012** *HK$'000*	Change over Year 2011
Logistic Park Business				
South China Logistic Park	**81,076**	(4%)	**24,347**	(10%)
Western Logistic Park	**46,401**	+46%	**17,491**	+49%
Huatongyuan Logistic Centre	**49,159**	+24%	**8,979**	+17%
Nanjing Chemical Industrial Park Logistic Centre	**23,606**	(10%)	**6,039**	+202%
Shandong Booming Total Logistic Park	**43,537**	+6%	**824**	(4%)
SZ Airport Express Center*	**N/A**	N/A	**4,566**	+100%
Sub-total	**243,779**	+9%	**62,246**	+21%
Logistic Service Business	**152,683**	+34%	**2,855**	(38%)
Port Business	**57,170**	+55%	**5,714**	+52%
Total	**453,632**	+21%	**70,815**	+18%

* SZ Airport Express Center is a jointly controlled entity and is accounted for using the equity accounting method.

The logistic park business achieved stable growth in revenue and profit during the Period. This was mainly attributable to the growing maturity in business development as the logistic centres at several logistic parks were at trial operation stage during the corresponding period of the previous year, along with the adjustment of rental charges on customers and the continued optimisation of its customer mix. South China Logistic Park recorded decreases in revenue and profit attributable to shareholders during the Period. This was due to the decline in the operations of empty container depots as a result of the structural adjustment of its business, as well as the negative impact from the external economic environment, led to a decline in import and export trade volume.

Following completion of the construction of Phase 1 in early 2011, Nanjing Xiba Port has developed gradually after the cultivation of the business and performance of the port business achieved expected results during the Period.

Revenue from the logistic service business was driven by an increase in business volume from major customers. However, during the Period, the growth in revenue was offset by persistent increases in operating costs and year-on-year increases in costs such as research and development costs for logistic information services technology. As a result, profit attributable to shareholders decreased by 38% year-on-year.

Toll Road Business

Analysis of Operating Performance

During the Period, the operating performance of the toll road business of the Group was influenced by the economic environment, changes in the government toll fee policies in China and their implementation, as well as conditions of road networks, and these factors brought different impacts on the operating performance of each expressway project of the Group:

- Decline in growth of foreign trade reduced the growth rate of traffic volume of expressway projects which connect ports, such as Yanba Expressway and Yanpai Expressway;

- The statistics in June 2012 show that the implementation of a unified standardisation of toll fees for all expressways in Guangdong Province since 1 June 2012 (the "Standardisation Scheme") had some negative effects mainly on the operating performance of Meiguan Expressway and Jihe Expressway.

- Changes in conditions of road networks in Shenzhen improved the operating performance of Yanpai Expressway. Nevertheless, Meiguan Expressway and Nanguang Expressway were subject to some negative effects.

Financial Analysis

During the Period, toll revenue and profit before finance costs and tax of the toll road business of the Group amounted to HK$2,198 million (2011: HK$1,926 million) and HK$1,300 million (2011: HK$1,074 million) respectively, representing increases of 14% and 21% respectively over the corresponding period of the previous year. In addition, profit attributable to shareholders amounted to HK$446 million (2011: HK$397 million), representing an increase of 12% over the corresponding period of the previous year. During the Period, revenue of HK$117 million and profit attributable to shareholders of HK$27.68 million recognised from the entrusted construction management services accounted for 5% and 6% of the toll revenue and profit attributable to shareholders of the toll road business of the Group respectively.

The implementation of the Standardisation Scheme since 1 June 2012 reduced the total revenue of the Group by approximately 1% during the Period.

Longda Expressway

During the Period, Longda Expressway recorded a toll revenue of HK$291 million (2011: HK$285 million), up 2% over the corresponding period of the previous year. Profit before finance costs and tax amounted to HK$201 million (2011: HK$184 million), up 9% over the corresponding period of the previous year and earnings before interest, tax, depreciation and amortisation ("EBITDA") amounted to HK$234 million (2011: HK$232 million), representing an increase of 1% over the corresponding period of the previous year.

The slowdown in China's economic growth and a fall in exports reduced the traffic volume of container trucks, which pay higher toll rates. This, along with the increasing number of toll-free vehicles under the "Green Passage" due to relocation of the neighbouring wholesale market, put a greater negative impact on the toll revenue of Longda Expressway. Nonetheless, although the growth in toll revenue of Longda Expressway was slowdown, benefitting from the steady growth of the traffic volume of class 1 vehicles, toll revenue of Longda Expressway recorded a slight increase of 2% during the Period.

Wuhuang Expressway

During the Period, Wuhuang Expressway recorded a toll revenue of HK$258 million (2011: HK$244 million), representing an increase of 6% over the corresponding period of the previous year. Profit before finance costs and tax amounted to HK$129 million (2011: HK$121 million), representing an increase of 7% over the corresponding period of the previous year and EBITDA amounted to HK$182 million (2011: HK$170 million), representing an increase of 7% over the corresponding period of the previous year.

Beacon stations were put into operation and the opening of the southern section of Daguang Expressway (Huangshi to Tongshan, Hubei) in early May 2012 also facilitated the rise in traffic volume and toll revenue of Wuhuang Expressway during the Period.

Shenzhen Expressway Company Limited ("Shenzhen Expressway") and its expressway projects

During the Period, Shenzhen Expressway recorded toll revenue of HK$1,649 million (2011: HK$1,397 million), representing an increase of 18% over the corresponding period of the previous year. Profit before finance costs and tax amounted to HK$970 million (2011: HK$748 million), representing an increase of 30% over the corresponding period of the previous year, and the Group's share of profit in Shenzhen Expressway amounted to HK$272 million (2011: HK$221 million), representing an increase of 23% over the corresponding period of the previous year.

The opening on 25 September 2011 of Yilian Expressway (spanning from Fengtouling in Guangdong to Yizhang in Hunan, also known as Yifeng Expressway), which connects to the northern end of Qinglian Expressway, integrated the links between Qinglian Expressway and the surrounding road networks and thereby creating synergy effect. This drives the toll revenue of Qinglian Expressway to increase by 28% over the corresponding period of the previous year and attributed to the increase in toll revenue of Shenzhen Expressway during the Period.

Other Business

Shenzhen Airlines

The total revenue of Shenzhen Airlines amounted to RMB10,613 million (HK$13,044 million) for the Period (2011: RMB9,458 million (HK$11,287 million)), representing an increase of 12% over the corresponding period of the previous year. However, the level of international oil prices remains high in the first half of 2012, the aviation oil costs of Shenzhen Airlines rose more rapidly as compared to the corresponding period of the previous year. Furthermore, the fluctuation of exchange rate in Renminbi against U.S. dollar during the Period caused Shenzhen Airlines to record a foreign exchange loss, which further offset the growth in its operating profit. Profit attributable to shareholders amounted to RMB580 million (HK$713 million) for the Period (2011: RMB625 million (HK$745 million)), representing a decline of 7% over the corresponding period of the previous year. Shenzhen Airlines contributed a profit of HK$341 million to the Group for the Period (2011: HK$187 million), representing an increase of 83% over the corresponding period of the previous year.

Though cost pressure brought by the increase in aviation oil prices was mitigated to a certain extent by fuel surcharge, Shenzhen Airlines is still very concerned about the risks associated with the fluctuations in aviation oil prices. It aims to control the consumption level of aviation oil in its daily operations and the possible impact arising from the volatility in oil prices through a series of measures that include enhancing the utilisation rate of aircrafts, as well as optimising its fleet structure and routes. Looking ahead, the domestic airline market in China is expected to maintain its growth momentum in the second half of 2012. Shenzhen Airlines will speed up the progress in adjusting its strategic structure in order to grasp the opportunities in peak seasons, as well as to enhance the operating capabilities and ability to reduce exposure to risks so as to generate better results.

Development Focus and Outlook for the Group

The State Council has recently approved an implementation scheme pursuant to which, small passenger vehicles are entitled to waiver of toll fee during key statutory holidays (the “Holiday Toll-Free Scheme”). According to a subsequent notice issued by the Ministry of Transport, the Holiday Toll-Free Scheme will be implemented from the National Day Holiday this year. The implementation of both the Standardisation Scheme and the Holiday Toll-Free Scheme is expected to reduce the budgeted total revenue of the Group by 4.5% for the whole year of 2012. The Group will cope with these in a positive manner, closely monitor the impacts they may bring in and formulate strategies which are in line with the Group’s development needs and conform to the internal and external environments.

The Chinese Government cut benchmark interest rates for Renminbi loans from financial institutions twice in the first half of 2012 in order to stabilise economic growth, which will benefit the Group as it will lower the cost of borrowing. Borrowing costs are expected to be reduced by approximately HK$20 million in the second half of the year. The Group will closely monitor the implementation of the policy, and will carry out an assessment of Group’s loan structure and future financing strategies and make appropriate adjustments in a timely manner.

The “Consolidated Plan on Hong Kong/Shenzhen Co-operation on Modern Service Industries in Qianhai Area", together with a series of policies in relation to finance, taxation, regulations etc., were launched during the first half of 2012, Qianhaiwan will be developed into a new international modern service industries zone for financial services, modern logistics, information services and technology services. The location of the Group’s wholly-owned Western Logistic Park has been included in Shenzhen Qianhai Shenzhen/Hong Kong Modern Service Industries Cooperation Zone. As the focus of the development of the modern logistics industry in Qianhai is in line with the Group’s development directions, the Group are actively repositioning the land of Western Logistic Park according to Qianhai’s policy and plan. The Group has also signed strategic collaboration MOUs with several leading enterprises recently. At the same time, following the redevelopment plan for the Qianhai area, the Group will strengthen the communication with the respective government departments, and strive to obtain more land rights in the transformation process of the function of land. Through the transformation and enhancement of the existing logistic business, the economic value of the Group’s land is expected to be further enhanced.

In the second half of 2012, the Group will closely monitor the progress of the implementation of Qianhai’s policies and measures, and will continue to interact closely with the Qianhai Management Bureau and relevant government departments so as to facilitate the future work on the Group’s planning, design, business development and operation.

The Group is stepping up its efforts to develop a business model of “Integrated Logistic Port” which combines highway transport, logistic information, warehousing and distribution as well as delivery services in key logistic gateway cities in China, and to actively push forward investment in Integrated Logistic Port projects in key logistic gateway cities in China.

The global economic situation is expected to remain grim, and the operating environment for logistic enterprises will continue to face challenges in the second half of 2012. The Group will continue its efforts to strengthen its existing businesses, and will capture opportunities to expand its logistic business so as to ensure that the Group is able to continue to maintain its sustainability in its future development.

Financial Position

	30 June 2012 *HK$ million*	31 December 2011 *HK$ million*	**Increase/ (Decrease)**
Total Assets	41,308	39,901	4%
Total Liabilities	22,919	21,753	5%
Total Equity	18,389	18,148	1%
Net Asset Value attributable to shareholders	11,418	11,214	2%
Net Asset Value per share attributable to shareholders (HK dollar)	0.70	0.68	3%
Cash	4,917	3,733	32%
Bank and other borrowings			
Short-term bank loans and other borrowings	127	287	(56%)
Long-term bank loans due for repayment within one year	1,104	1,126	(2%)
Long-term bank loans	9,260	9,949	(7%)
	10,491	11,362	(8%)
Notes and bonds	7,688	5,372	43%
Total Borrowings	18,179	16,734	9%
Net Borrowings	13,262	13,001	2%
Debt-asset Ratio (Total Liabilities/Total Assets)	55%	55%	-
Ratio of Total Borrowings to Total Assets	44%	42%	2% #
Ratio of Net Borrowings to Total Equity	72%	72%	-
Ratio of Total Borrowings to Total Equity	99%	92%	7% #

 # Change in percentage points

Cash Balance

As at 30 June 2012, the cash balance held by the Group amounted to HK$4,917 million (31 December 2011: HK$3,733 million), representing a significant increase of 32% over the end of 2011. The funds raised from the Company's issuance of five-year US$300,000,000 senior notes on 20 April 2012 used for the replacement of some existing short-term debt, and part of the funds will be retained as capital expenditures for the Group's core business and as general working capital. Of the cash held by the Group, 82% was denominated in Renminbi. The Group currently possesses adequate cash and a healthy level of fund liquidity. Based on prudent liquidity risk management, the Group continues to maintain sufficient cash and adequate standby banking facilities to guard against liquidity risks and to provide funds necessary for operations, financing, and business development.

Capital Expenditure

During the Period, the Group's capital expenditures amounted to HK$619 million (RMB501 million), of which approximately RMB78.86 million was used to pay for the remaining 10% of the consideration to acquire a 24% equity interest in Shenzhen Airlines, RMB86 million used to pay for the construction of logistic park, and RMB311 million was used to pay for the construction work of Qinglian Expressway as well as the expansion of Meiguan Expressway. Capital expenditure for the second half of 2012 are expected to be HK$1,407 million (RMB1,150 million).

Borrowings

Bank Loans and Other Borrowings

As at 30 June 2012, the Group's total bank loans and other borrowings amounted to approximately HK$10,500 million (31 December 2011: HK$11,400 million), of which 11.7%, 16% and 72.3% were due for repayment within one year, two years and three years or thereafter, respectively. Total bank loans and other borrowings decreased by 8% as compared with those as at the end of last year. Of such bank loans, approximately HK$3,200 million are repayable in Hong Kong dollars and HK$7,300 million are repayable in Renminbi to banks in the PRC. During the Period, the Company opened up new financing channels through the successful issuance of five-year US$300,000,000 senior notes on the market. Part of the proceeds had been used to pay off short-term bank loans, thus effectively reducing the percentage of short-term borrowings.

Notes and Bonds

On 20 April 2012, the Company issued five-year US$300,000,000 senior notes at an interest rate of 4.375% per annum, which will expire on 20 April 2017. The notes were rated BBB- and Baa3 grades by Standard & Poor's and Moody's respectively.

As at 30 June 2012, the total carrying value of the notes and bonds was HK$7,688 million, including US dollars senior notes of approximately HK$2,314 million, medium term notes denominated in RMB of HK$855 million and corporate bonds of HK$4,519 million.

Debt-Asset Ratio

As at 30 June 2012, the Group's debt-asset ratio remained at 55% as compared to the end of 2011. Despite the fact that the Group's issuance of five-year US$300,000,000 senior notes has led to an increase in total liabilities, the increase in assets such as cash and equity interests in associate companies has offset the impact of increased liabilities on the debt-asset ratio.

Cash Flow and Financial Ratios

During the Period, cash inflow generated from operations rose 11% to reach HK$1,868 million, while the cash outflow for investment activities dropped 39% to HK$746 million and net cash inflow generated from financing activities increased by HK$788 million as compared to same period last year. The Group's core business consistently generates stable cash flow, according to changes in the external environment and capital market conditions during the Period, the Group adjusted the pace of the investment activity and captured the opportunity to raise funds from the capital market. In addition, EBITDA margin and operating cash flow interest coverage are 64% and 3.4 times respectively, maintained at levels similar to those as at the end of 2011.

The Group's Financial Policy

Locking up Interest Rates, Lowering Financial Risks

Borrowings are a major source of interest rate risk for the Group. Bank borrowings bearing floating interest rates expose the Group to cash flow interest rate risk. To manage cash flow interest rate risk, the management of the Company, when applying for long-term loans, considers fixed-rate loans or interest-rate swaps to achieve the economic effect of converting the bank loans from floating rate loans to fixed rate loans, thereby minimising the impact brought by interest rate volatility. The management regularly reviews the appropriate ratio of fixed rate and floating rate risks. As at 30 June 2012, the Group maintained a loan portfolio with fixed rate loans accounting for approximately 54% of the total amount of loans.

Exchange Rate Risk

Assets, cash flows and cash held for businesses operated by the Group are primarily denominated in Renminbi. Cash outflow denominated in Hong Kong dollars and US dollars mainly comprises cash dividend payments to shareholders and bank loans as well as interest on senior notes and related expenses. The Renminbi exchange rate during the Period was relatively volatile, which impacted the Group's financial costs, causing the Group's foreign exchange gain of HK$76.54 million generated in the same period of last year to turn into a foreign exchange loss of HK$27.87 million during the Period. The Group is closely monitoring the trend in the Renminbi exchange rate, and will work out measures to minimise risks in a timely fashion.

Strengthening Cash Flow Management, Maintaining a Good Credit Rating

The Company's management places strong emphasis on capital planning to ensure the Group's development needs are met and to reward shareholders with stable cash dividends. The management carries out rolling forecasts and monitors the Group's standby banking facilities and cash in the expected cash flow to strengthen cash flow management. The management also monitors any changes in the capital market and macro policies from time to time in order to work out financing plans, and also optimises the Group's debt structure through different financing channels to ensure the Group has the capacity to carry out ongoing operations to enhance shareholders value.

The Group currently has cash on hand and standby banking facilities of approximately HK$22,800 million. The Group's overall risk management plan is to cope with unpredictable changes in the capital market in order to maintain a high degree of flexibility to seize business opportunities. The Group will broaden its financing channels through different financing methods and will also ensure that it has sufficient standby banking facilities to meet future financing needs so as to minimise the adverse impact of fluctuations in the capital market on the costs of debt and liquidity.

The Group has been awarded stable investment ratings of BBB and Baa3 by Standard & Poor's and Moody's respectively. The Group pledges to maintain a healthy financial position, adequate cash flow and strong credit ratio in order to maintain a good credit rating status, thereby optimising its capital structure and reducing its financing costs.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

The Board is committed to maintain a high standard of corporate governance in the best interests of shareholders. The corporate governance principles adopted by the Company emphasise a highly efficient Board, sound internal control and the transparency and accountability to all shareholders.

During the Period, the Company has complied with the Code Provisions set out in the "Code on Corporate Governance Practices" (effective until 31 March 2012) and the "Corporate Governance Code and Corporate Governance Report" (effective from 1 April 2012) as stated in Appendix 14 of the Listing Rules on the Stock Exchange save that a non-executive director and an independent non-executive director who had to handle business outside Hong Kong, and a non-executive director who had a prior-committed university meeting, were unable to attend the annual general meeting of the Company held on 18 May 2012.

OTHER INFORMATION

The Company has engaged PricewaterhouseCoopers, the Auditor of the Company, to review the unaudited Financial Information of the Group for the six months ended 30 June 2012.

Before the date of this announcement, a meeting of the Audit Committee has been held with the Auditor of the Company for reviewing the unaudited Financial Information of the Group for the six months ended 30 June 2012. The review report will be included in the interim report to be despatched to the shareholders of the Company.

This announcement and other related information of the Company's 2012 interim results will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.szihl.com).

By Order of the Board
Shenzhen International Holdings Limited
Guo Yuan
Chairman

Hong Kong, 21 August 2012

As at the date of this announcement, the Board consists of Messrs. Guo Yuan, Li Jing Qi, Liu Jun and Yang Hai as executive directors, Mr. Wang Dao Hai and Professor Wong Yuk Shan, BBS, JP as non-executive directors and Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing as independent non-executive directors.